

FINANCIAL STABILITY

GOAL Provide a sustainable level of core services that are funded from predictable revenue.

City is fiscally responsible

So that...

City can invest in community priorities

So that...

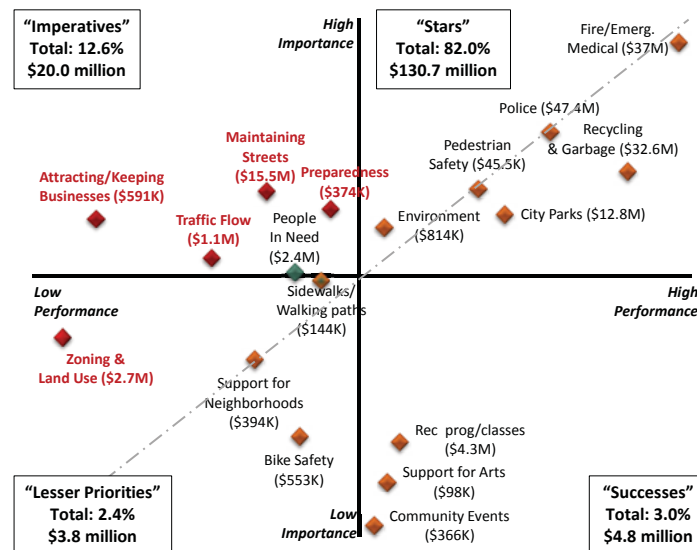
The citizens of Kirkland enjoy high quality services that meet the community's priorities

MEASURE	2009	2010	2011	2012	Target
Minimum balance in General Purpose Contingency Reserves	55%	55%	72%	74%	80% of budgeted reserve target
Credit Rating	AAA	AAA	AAA	AAA	AAA
Percent of funding allocated to high priority services (Stars and Imperatives) ¹	*	93%	*	94.2%	80% of rated services

¹ Citizens rated City services by their importance and how well the City provided them. "Stars" have high importance and high performance ratings; "imperatives" have high importance and lower performance ratings.

*Community survey occurs in even years

2012 Survey with 2013-14 Budget



HOW DO WE MEASURE FINANCIAL STABILITY?

Standard and Poor's credit rating provides an external assessment of the City's financial stability, and this measure is used in partnership with revenue and expenditure forecasts to create a picture of the City's stability.

The City also maps the percentage of money that goes to priority areas the citizens have chosen as the most important. Demonstrated in the Kirkland Quadrant, the "stars" and "imperatives" are the areas citizens have rated as "high performance, high importance" or "high importance, low performance."

The City also closely monitors available funding for reserves, which demonstrates the City's ability to respond to basic services through economic cycles and meet unforeseen needs.

HOW ARE WE DOING?

Contingency reserves were used to help balance the budget during the economic downturn, leading to a decrease in the minimum balance in the reserves. The Council began replenishing reserves with the start of the economic recovery in 2011. Replenishment to target will be a focus over the next several budget cycles.

Standard and Poor's AAA credit rating is the highest rating that can be achieved by a municipality and saves Kirkland taxpayers money through lower interest rates when borrowing. Kirkland has retained its AAA rating in recent years. The rating reflects factors including community demographics, use of best practices and financial strength.

Despite constrained budgets the City has continued to invest in areas that the community has highlighted as a priority. The most recent data shows that 94.2% of spending on the areas surveyed was allocated to high priority areas. Further, the City has also made long term decisions, such as the voter enacted 2012 Streets and Parks Levies, to facilitate greater spending on areas citizens have highlighted as important.

Balancing affordability, sustainability and responsiveness to citizen needs means that the City is able to ensure improvements are made in a financially responsible manner, while sufficiently prioritizing areas citizens are most concerned about.

WHAT ARE WE DOING?

Financial stability is essential to the City of Kirkland. The City prioritizes maintaining a stable financial base from which to fund core services, and ensures all major decisions are affordable. Kirkland establishes strong financial management policies by:

- Realistically estimating revenues and expenditures
- Consistently monitoring and amending the budget based on actual performance
- Creating a long-term financial plan
- Ensuring long-term capital improvement funding
- Managing investments and debt
- Maintaining reserves to offset economic downturns

The City's Biennial Budget is an essential planning document and provides strategic insight into current spending allocations and future spending priorities. The City is also working to further integrate the budget with the overall performance management framework to ensure that the spending decisions are responsive to citizen needs and council priorities, as well as sustainable and affordable.

Finance Case Study

Property Tax Levies

In 2012, two property tax levy lid lift measures were passed in Kirkland. Proposition 1 will provide funding for Street Maintenance and Pedestrian Safety, while Proposition 2 will help fund maintenance, restoration, and enhancement of the City's Parks.

The streets measure was initiated internally through discussions of the slow decline in the city's pavement condition index (PCI) and the impacts of budget cuts on transportation programs during the Great Recession.

The parks measure was initiated by a group of citizens concerned that the significant budget reductions to the parks & community services budget necessitated by the economic downturn, including a 20% reduction in parks maintenance staffing, would jeopardize parks in Kirkland.

Once these two priority areas had been identified, the City sought to establish the most effective way to fund improvements. As the general fund reserves were still being replenished and over 90% of spending on the areas surveyed was already committed to high importance services, it would not have been possible to use existing revenues to fund these needs. In addition, to maintain a stable financial outlook and protect Kirkland's AAA bond rating, new on-going revenues needed to be added to support the higher levels of on-going service being proposed. Therefore, the City decided to ask voters to approve a property tax levy lid lift to fund these two improvements.

Both measures provide money that will help to improve the condition of streets in Kirkland and to continue funding Kirkland's renowned parks system and the attendant quality of life it provides. By seeking funding for areas that the citizens consider important and by carefully assessing the financial situation in Kirkland before making these decisions, the City was able to create a funding stream that does not jeopardize future financial stability.